



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

August 27, 2008

Board of Supervisors  
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YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", is written over the printed name of William T. Fujioka.

## **CITY ANNEXATIONS AND SPHERES OF INFLUENCE POLICY – FINAL REPORT REGIONAL HOUSING NEEDS ASSESSMENT TRANSFER TO ANNEXING CITIES**

On January 15, 2008, your Board approved an amendment to the City Annexations and Spheres of Influence Policy (Policy), which includes a provision for the appropriate transfer of Regional Housing Needs Assessment (RHNA) allocation units from the County to cities who annex unincorporated territory. Your Board directed this Office to report back on the number of units that were not transferred to annexing cities that logically should have been transferred if the amended Policy had been in effect over the last eight to ten years.

The Department of Regional Planning (DRP) estimates that 227 RHNA units could have been transferred from the County to cities as a result of city annexations that occurred from January 2000 through July 1, 2005 (Attachment I). The County was successful in an appeal to the Southern California Association of Governments (SCAG), which resulted in a reduction of approximately 771 units of its housing allocation, as a result of city annexations that occurred from July 2, 2005 through January 1, 2007.

As a result of the County's Policy to transfer RHNA units to annexing cities, DRP developed a methodology for calculating these units which closely mirrors SCAG's methodology for allocating RHNA units to counties and cities. On July 14, 2008, DRP submitted a request to SCAG (Attachment II), who has a statutory role in facilitating RHNA allocation transfers to annexing cities, for comments and approval of the County's proposed methodology.

*"To Enrich Lives Through Effective And Caring Service"*

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Intra-County Correspondence Sent Electronically Only**

Each Supervisor  
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On August 14, 2008, SCAG responded to DRP indicating that it was reluctant to approve a "single" methodology for all annexations due to the uniqueness of each annexation proposal, and also indicated a preference to consider other methodologies and address the RHNA transfers on a case-by-case basis (Attachment III). Furthermore, since SCAG would necessarily become involved in resolving disputes regarding the number of RHNA units to be transferred from the County to an annexing city, SCAG has indicated that approving the County's methodology at this time may unduly "tie" their hands in the future. SCAG also advised that while the County's methodology is a good starting point for annexation negotiations, it should be open to other reasonable approaches to reach mutually acceptable agreements between the County and annexing cities for RHNA transfers. DRP will continue to work with SCAG to facilitate the review of RHNA transfers for each current and future city annexation.

If you have any questions, please feel free to contact me or your staff may contact Marge Santos at (213) 974-1499, or via e-mail at [msantos@ceo.lacounty.gov](mailto:msantos@ceo.lacounty.gov).

WTF:LS  
DSP:MJS:ib

Attachments (3)

c: Executive Officer, Board of Supervisors  
County Counsel  
Director of Regional Planning  
Executive Officer, Local Agency Formation Commission

# ATTACHMENT I

**RHNA Allocation Not Transferred to Cities from the County of Los Angeles  
Calculations for the 1998-2005 Housing Element Period  
City Annexations from January 1, 2000 through July 1, 2005**

ATTACHMENT I

City	SCAG SUB	Annexation	LAFCO Recorded Date	RHNA Allocation				
				Very Low	Lower	Moderate	Above Mod	TOTAL
Azusa	SGVCOG	2000-C7 (Mountain Cove)	7/17/2002	0	0	0	0	0
Azusa	SGVCOG	2003-05 (Monrovia Nursery)	9/27/2004	1	1	1	4	7
Covina	SGVCOG	2000-01 (Bonnie Cove)	11/27/2001	1	1	1	0	3
Industry	SGVCOG	2000-109	6/4/2002	0	0	0	0	0
Industry	SGVCOG	99-108 (Haddick's Towing)	6/4/2004	0	0	0	0	0
Los Angeles	CTYOFLA	121st (Street and Broadway)	1/18/2001	0	0	0	0	0
Los Angeles	CTYOFLA	1998-01 (Dayton Canyon Estates)	1/18/2001	0	0	0	0	0
Palmdale	NLACNTY	1998-01 (Landfill expansion)	1/21/2003	7	5	8	19	39
Palmdale	NLACNTY	2004-02	1/16/2004	0	0	0	0	0
Palmdale	NLACNTY	2004-05	4/12/2005	0	0	0	1	1
Palmdale	NLACNTY	1999-03 (SR Technics)	4/30/2002	1	0	0	1	2
Santa Clarita	NLACNTY	2002-05 (Golden Valley Ranch)	1/21/2002	10	8	12	28	58
Santa Clarita	NLACNTY	1989-01 (Towsley Canyon)	7/14/2003	1	1	2	4	8
Santa Clarita	NLACNTY	2001-01 (West Thompson Ranch)	9/6/2003	2	2	3	6	13
Santa Clarita	NLACNTY	2003-03 (Whitney Canyon)	2/28/2005	0	0	0	1	1
Santa Clarita	NLACNTY	1998-02 (North Valencia)	1/27/2000	16	12	19	46	93
West Covina	SGVCOG	2004-03	7/13/2004	1	0	0	1	2
West Covina	SGVCOG	2002-03	11/16/2004	0	0	0	0	0
<b>Total</b>				<b>40</b>	<b>30</b>	<b>46</b>	<b>111</b>	<b>227</b>

**County's RHNA Allocation Reduction as a Result of DRP's Appeal to SCAG  
Calculations for the 2008-2014 Housing Element Period  
City Annexations from July 2, 2005 through January 1, 2007**

City	SCAG SUB	Annexation	LAFCO Recorded Date	RHNA Allocation				
				Very Low	Lower	Moderate	Above Mod	TOTAL
Hawthorne	SBCCOG	2005-32	3/13/2006	0	0	0	0	0
Santa Clarita	NLACNTY	2005-07 (Northpark) <sup>2</sup>	3/3/2006	92	58	63	154	367
Santa Clarita	NLACNTY	2002-08 (California Canyons) <sup>2</sup>	3/6/2006	12	8	8	20	48
Santa Clarita	NLACNTY	2002-09A (Stonecrest) <sup>2</sup>	7/27/2006	90	57	61	148	356
<b>Total</b>				<b>194</b>	<b>123</b>	<b>132</b>	<b>322</b>	<b>771</b>

**Notes:**

1. It is important to note that the number of RHNA transfers was calculated using Census tract-level data for the 2008-2014 Housing Element period. Census-tract level household projection data for the 1998-2005 Housing Element period was not available. In addition, the methodology for vacancy rate and replacement rate factor for calculating the 1998-2005 RHNA differs slightly from the 2008-2014 period; therefore these numbers represent an approximation of units.
2. Annexations 2005-07, 2002-08, and 2002-09A were the basis of a successful RHNA appeal by DRP for a reduction in the County's allocation of housing units.

# ATTACHMENT II



Los Angeles County  
Department of Regional Planning

*Planning for the Challenges Ahead*



Bruce W. McClendon FAICP  
Director of Planning

July 14, 2008

Hasan Ikhata, Executive Director  
Southern California Association of Governments  
818 W. Seventh Street, 12th Floor  
Los Angeles, CA 90017

Dear Mr. Ikhata:

**COUNTY OF LOS ANGELES PROPOSED METHODOLOGY FOR  
CALCULATING RHNA ALLOCATION TRANSFERS TO ANNEXING CITIES**

With the recent update to the County of Los Angeles' Annexation and Spheres of Influence Policy and amendments to the Housing Element Law, the County of Los Angeles is faced with the challenge of disaggregating the County's Regional Housing Needs Assessment (RHNA) allocation to cities upon annexation of unincorporated territory. The purpose of this letter is to (1) provide you with an overview of the methodology that the County has developed to respond to the recent changes in the Housing Element Law and the County's Annexation and Spheres of Influence Policy; and (2) request your written approval of the County's proposed methodology for disaggregating the County's RHNA allocation.

**The County's Proposed Methodology**

The County's proposed methodology calculates the increment of growth for an annexed area, using 2005 and 2014 Census Tract-level household projection data received from SCAG, and adjusts the data proportionately to the area of the land or Census Tract, as needed; applies a vacancy rate of 3.5% and a subregional replacement factor to calculate the number of housing units; and apportions the number of housing units by income level. (See Attachment 1 for more details). We believe that this methodology is fair and transparent, and one that most closely mirrors SCAG's RHNA methodology.

**Input from SCAG**

On May 29, 2008, staff from the Los Angeles County Department of Regional Planning met with SCAG staff (Joe Carreras, Simon Choi, Ma'Ayn Johnson, Frank Wen and Ying

## Justification of County's Methodology

The methodology developed by the County to disaggregate the RHNA allocation for the unincorporated areas as part of the annexation process is the most accurate and fair approach to overcoming the challenges posed by the recent changes to the County's annexation policies and the Housing Element Law. Furthermore, the application of one methodology, as opposed to evaluating annexations on a case-by-case basis, will provide consistency and transparency for RHNA allocation transfers from the County to annexing cities.

The County currently has several pending annexation applications for which RHNA allocation transfers to annexing cities need to be calculated. In an effort to move forward with the negotiations for these annexations, the County would like SCAG to provide either a written approval of the attached methodology or an alternative methodology or preferred protocol by Thursday, July 24, 2008.

If you have any questions, or if you would like to set up another meeting, please contact Connie Chung of the Housing Section at (213) 974-6425 or [cchung@planning.lacounty.gov](mailto:cchung@planning.lacounty.gov).

We look forward to your input.

Sincerely,

DEPARTMENT OF REGIONAL PLANNING



Bruce W. McClendon, FAICP  
Director of Planning

BWM:RH:CC:AR

### Attachments:

Outline of methodology for calculating RHNA allocation transfers  
AB 242 (Blakeslee, 2008)  
County of Los Angeles Annexation and Spheres of Influence Policy

cc: Dorothea Park, Los Angeles County Chief Executive Office  
Marge Santos, Los Angeles County Chief Executive Office

**Assembly Bill No. 242**

**CHAPTER 11**

An act to amend Section 65584.07 of the Government Code, relating to land use.

[Approved by Governor April 29, 2008. Filed with  
Secretary of State April 29, 2008.]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 242, Blakeslee. Land use: annexation: housing.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 authorizes local governments to annex portions of territory to other local governments, as specified.

The Planning and Zoning Law requires local governments to adopt comprehensive general plans that address a number of elements, including the housing element. The Department of Housing and Community Development is required to assist local governments in the allocation of the regional housing needs. Existing law also authorizes a city or county to transfer a percentage of its share of the regional housing needs to another city or county, as specified.

Existing law requires each city, county, and city and county to revise its housing element on specified dates, in accordance with a specified schedule, and not less often than once every 5th year after that revision.

Existing law requires, during the period between adoption of a final regional housing needs allocation until the due date of the housing element update, that the council of governments, or the department, whichever assigned the county's share, reduce the share of regional housing needs of a county if certain conditions are met. If an annexation of unincorporated land to a city occurs after the council of governments, or the department for areas with no council of governments, has made its final allocation under these provisions, the city and county are authorized to reach a mutually acceptable agreement on a revised determination of regional housing needs, to reallocate a portion of the affected county's share of regional housing needs to the annexing city, and report the revision to the council of governments and the department, or to the department for areas with no council of governments.

This bill would revise provisions governing the process for making the transfer of the county's regional housing needs allocation to the city.



65584.04, 65584.06, or 65584.08, a portion of the county's allocation shall be transferred to the new city. The city and county may reach a mutually acceptable agreement for transfer of a portion of the county's allocation to the city, which shall be accepted by the council of governments, subregional entity, or the department, whichever allocated the county's share. If the affected parties cannot reach a mutually acceptable agreement, then either party may submit a written request to the council of governments, subregional entity, or to the department for areas with no council of governments, to consider the facts, data, and methodology presented by both parties and determine the number of units, by income category, that should be transferred from the county's allocation to the new city.

(2) Within 90 days after the date of incorporation, either the transfer, by income category, agreed upon by the city and county, or a written request for a transfer, shall be submitted to the council of governments, subregional entity, or to the department, whichever allocated the county's share. A mutually acceptable transfer agreement shall be effective immediately upon receipt by the council of governments, the subregional entity, or the department. A copy of a written transfer request submitted to the council of governments shall be submitted to the department. The council of governments, subregional entity, or the department, whichever allocated the county's share, shall make the transfer effective within 180 days after receipt of the written request. If the council of governments allocated the county's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.04 or 65584.08. If the subregional entity allocated the subregion's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.03. If the department allocated the county's share, the transfer shall be based on the considerations specified in Section 65584.06. The transfer shall neither reduce the total regional housing needs nor change the regional housing needs allocated to other cities by the council of governments, subregional entity, or the department. A copy of the transfer finalized by the council of governments or subregional entity shall be submitted to the department. The council of governments, the subregional entity, or the department, as appropriate, may extend the 90-day deadline if it determines an extension is consistent with the objectives of this article.

(d) (1) If an annexation of unincorporated land to a city occurs after the council of governments, subregional entity, or the department for areas with no council of governments, has made its final allocation under Section 65584.03, 65584.04, 65584.06, or 65584.08, a portion of the county's allocation may be transferred to the city. The city and county may reach a mutually acceptable agreement for transfer of a portion of the county's allocation to the city, which shall be accepted by the council of governments, subregional entity, or the department, whichever allocated the county's share. If the affected parties cannot reach a mutually acceptable agreement, then either party may submit a written request to the council of governments, subregional entity, or to the department for areas with no council of governments, to consider the facts, data, and methodology presented by



# *Los Angeles County* **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
3.095	City Annexations and Spheres of Influence	05/13/03

## **PURPOSE**

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Establish policies for the review and consideration of city annexation proposals and for the establishment and updating of city spheres of influence by the Local Agency Formation Commission, which determine where future annexations are likely to occur.

The County of Los Angeles supports the concept that urbanizing areas should have the option to attain municipal status through annexation, if so desired by area residents and not in conflict with County interests. Recognize that Los Angeles County is generally an urban county with a diverse population and a variety of communities, lifestyles and interests, and that unincorporated area residents may also chose to remain unincorporated under County government and not become part of a city.

In recognition of the population diversity and variation between unincorporated communities, the County will review and evaluate each city annexation proposal or sphere of influence amendment on a case-by-case basis and negotiate with each city in good faith as needed, under the guidance of this policy to determine its fiscal, social, geographic, environmental and/or operational impacts on the affected unincorporated community(s) and the County of Los Angeles. Furthermore, it is County policy to provide assistance to residents of unincorporated areas in determining their preferred government structure alternatives.

Finally, while many unincorporated communities reflect distinct, mature, and cohesive identities; other areas are characterized as "islands" created as a result of historical incorporations and annexations. Providing municipal services may involve sending County staff across neighboring cities to respond to community needs. Ensuring the most cost-effective and responsive services to these areas may involve exploring such vehicles as contracts with surrounding/neighboring cities or expanding County services via contract to address the needs of a larger area.

## **REFERENCE**

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Government Code Section 56000, et seq., Revenue and Taxation Code Section 99

**Policies:**

**A. General Policies**

1. The County encourages development of unincorporated areas in a manner that permits their assimilation into adjacent cities, should area residents desire annexation.
2. The County supports revenue allocations that equitably reflect the County's regional responsibilities, as well as the responsibilities of the County, cities and special districts for basic and extended services.
3. In implementing this Policy, the County may encourage or discourage all or a part of specific annexations or spheres of influence proposals based upon the impact on an unincorporated community's sense of identity, revenue base, land use planning and pattern of development, and/or impact on County-initiated programs to improve services and infrastructure in the area, so as to avoid premature annexations that may prejudice more favorable long-term government structures.
4. The County Board of Supervisors supports the concept of providing positive options to residents of unincorporated communities who desire a higher level of service, but prefer to remain unincorporated. Such options may include the use of assessment districts, the County budget process, local revitalization programs, contracts with neighboring cities, special planning standards or other mechanisms, as needed, subject to Board approval, and in most cases, subject to the approval of the affected communities.
5. Based upon the above policies, the County Board of Supervisors has determined that it is in the best interest of the County's unincorporated communities to review annexation proposals on a case-by-case basis rather than to adopt master agreements or formulas relating to the allocation and/or exchange of revenues between the County and affected cities.

**B. Annexation Policies**

1. The County will oppose annexations that carve up or fragment an unincorporated community that has a strong sense of identity.
2. The County will oppose annexations of commercial or industrial areas that have a significant negative impact on the County's provision of services, unless the annexing city provides financial or other mitigation satisfactory to the County.

to certain unincorporated area islands, the County will work with residents, property owners and the community to explore appropriate island annexation strategies for these areas.

3. The County will periodically conduct "make-buy-sell-annex" assessments regarding the most cost-effective, responsive and community-desired manner in which municipal services are delivered to unincorporated "island" communities.
4. These assessments will examine whether services could be provided more effectively by neighboring cities via contracts with the County or if County services could be expanded to other surrounding communities to achieve economies of scale. Formal annexation to a neighboring city will also be reviewed where relevant.
5. The desires and preferences of the residents of the affected "island" community will be a guiding factor in developing recommendations. As appropriate, residents will be provided with service comparison and related information regarding the potential annexation to a neighboring city.

#### **D. Sphere of Influence Policies**

1. The County Board of Supervisors supports the intent of Government Code Section 56425, *et seq.*, and will work with LAFCO and all of the cities of the County to review and update city spheres of influence according to its provisions which provide a process for negotiating agreements between the County and each city on sphere updates.
2. The County will include the above-stated policies as a component of the negotiating process for spheres of influence and may oppose any sphere of influence proposal that is inconsistent with those policies.

#### **RESPONSIBLE DEPARTMENT**

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Chief Executive Office

#### **DATE ISSUED/SUNSET DATE**

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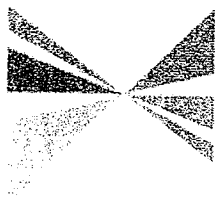
**Issue Date: May 13, 2003**

**Sunset Date: 5/10/2011**

Revised 8/20/07:mjs

# ATTACHMENT III

SOUTHERN CALIFORNIA

**ASSOCIATION of  
GOVERNMENTS****Main Office**

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**Transportation and Communications**

Mike Ten, South Pasadena

August 14, 2008

Bruce W. McClendon, FAICP

Los Angeles County Department of Regional Planning

320 West Temple Street

Los Angeles, CA 90012

Re: County of Los Angeles Proposed Methodology for Calculating RHNA  
Allocation Transfers to Annexing Cities

Dear Mr. McClendon,

Thank you for your letter dated July 14, 2008 regarding the proposed methodology from the County of Los Angeles (County) as it relates to disaggregating the County's Regional Housing Needs Assessment (RHNA) allocation to cities upon annexation of unincorporated territory. We have reviewed your proposed methodology to calculate the increment of growth for the annexed area as well as the proposed alternatives to the methodology, and have discussed the merits of each.

After careful consideration, we have come to the conclusion that the County's proposed methodology is adequate to use in order to comply with State law, as would be other possible approaches in the case of an annexation. While the application of one methodology can provide consistency, we are reluctant to "approve" a single County methodology for purposes of RHNA transfers in the case of annexation. Each annexation is different and presents a unique set of circumstances and considerations depending on the parties involved. We find, however, the County's proposed methodology to be a good starting point for resolving issues related to the potential for future growth in the negotiation of annexation agreements. Therefore, SCAG offers as a comment that the County use the proposed methodology as the starting point for annexation agreement negotiations, and also be open to other reasonable approaches so as to achieve a mutually acceptable agreement of the parties involved.

Moreover, SCAG respectfully declines to formally consent to the County's proposed methodology as it may potentially limit out review in the future. As you indicated in your letter, Section 65584.07(d)(1) of the California Government Code provides that if a city and county cannot reach a mutually acceptable agreement, either party may submit a written transfer request to the council of governments to consider data and methodology presented by both parties so that the council of governments can make the determination. Thus, both the County and annexing city would need to present their respective facts, data, and methodology in order for SCAG to provide assistance in determining a mutually suitable methodology as part of the transfer request. Approving a methodology at

Bruce W. McClendon, Los Angeles County Dept. of Regional Planning  
August 14, 2008  
Page 2 of 2

this time may unduly tie SCAG's hands in the future, and to be consistent with the law as well as to exercise fairness to future parties involved, SCAG must reserve its ability under State law to consider all reasonable approaches for disaggregating the County's RHNA allocation as part of the annexation process.

We hope that you find this letter to be helpful. If you have any questions, please feel free to contact Joe Carreras, Housing Program Manager, at 213-236-1856 or [carreras@scag.ca.gov](mailto:carreras@scag.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Hasan Ikhrata", with a stylized flourish at the end.

Hasan Ikhrata

Executive Director

Southern California Association of Governments